

STANDING INSURANCE COMMITTEE

SPECIAL MEETING MINUTES

June 17, 2009 – Town Hall Conference Room One

- I. Call to order - Chairperson Bottalico called the meeting to order at 7:08 P.M.
- II. Roll Call - Members present: Jay Bottalico, Chairperson; Kris Nasinnyk; Nancy Petronio; Sharon Braverman; Christine Andrews, and Mike Longo. Others present: Joe Peak, R.C. Knox and Company; Lou Jachimowicz, Business Administrator; and Jeff Baron, Director of Administrative Services.
- III. Public Participation – None.
- IV. Discuss and take action on insurance coverage proposals – The summary of insurance proposals was presented by Mr. Peak. Mr. Peak, Mr. Jachimowicz, and Mr. Baron had met previously with CIRMA, who provided proposals that were also distributed. The Liability, Automobile, Property and Umbrella coverage is covered by the rate lock that has previously been agreed to. The coverage from CIRMA is quite broad and the rates are good, especially on the umbrella coverage. The decision before the Committee is regarding the workers compensation coverage. Mr. Peak contacted 17 entities for quotes on coverage. Most were not able to compete with CIRMA and declined to quote. Travelers quoted but wanted cash collateral of \$500,000.

CIRMA presented three options for workers compensation for the Committee's consideration: 1.) The current high deductible program, with a stop loss of \$250,000 for each claim, an aggregate cap of \$850,000, with losses to remain open until all claims are closed, with premiums at \$330,667 (approximately the same as expiring premiums); 2.) a guaranteed cost program, with no deductibles and therefore no additional risk to the Town, but with premiums of \$699,719; or 3.) a retrospective rating program, with a premium of \$330,667 and two calculations (using a loss development factor of 1.438 six months after expiration and a loss development factor of 1.235 eighteen months after expiration), which closes eighteen months after expiration and has a lower aggregate cap than the high deductible program, reaching maximum premium after only \$408,755 in losses.

The Town's adopted budget would not support the guaranteed cost program premium. The high deductible program participation has had a cumulative effect on the Town's Insurance Reserve Fund, which regularly exceeds the \$225,000 level set by ordinance. As was noted at the Agent of Record interviews, this is a cause for concern, which the retrospective rating program would partially address by not adding any additional deductible payments from 2009-10 claims until

January of 2011, giving the Town the opportunity to address the funding level by ordinance change. Mr. Peak's analysis, using the Town's prior four year history, showed projected losses for 2009-10 to be \$366,546, developing over time to \$500,447; again, well over the \$225,000 level.

Mr. Peak presented an analysis showing each of the three programs presented by CIRMA with various loss scenarios, ranging from optimistic to worst case. In each instance the Town would pay the least amount of money, when all workers compensation claims for the year are closed, under the retrospective program. As an additional incentive to participate, CIRMA will only charge half of the additional premium that would be due at six months after expiration.

Mr. Longo made a motion that the Standing Insurance Committee recommend to the Newington Town Council that it accept the proposal to place the Town's 2009-10 workers compensation coverage with CIRMA for the retrospective rating program option, as presented, for an annual premium of \$330,667. Second by Ms. Petronio. The motion passed unanimously by a vote of 6 YES to 0 NO. Mr. Peak and Mr. Baron were asked to attend the Town Council meeting on June 23rd to present this program and answer any questions.

- V. Any Other Business Pertinent to the Committee – The Committee will meet again in September or October to discuss a recommendation to the Town Council to raise the limit of the Insurance Reserve Fund.
- VI. Public Participation - None.
- VII. Response to Public Participation – None.
- VIII. Adjournment – the meeting adjourned at 7:55 P.M.

Respectfully submitted,

Jeff Baron

Jeff Baron
Director of Administrative Services